

M e m o r a n d u m

To: Panel Members Date: June 22, 2007

From: Diana Torres, Manager Analyst: R. Negrete

Subject: One-Step Agreement for **INSURANCE EDUCATIONAL ASSOCIATION**

CONTRACTOR:

- Multiple Employer: Employer Consortium
- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
- Type of Industry: Finance and Insurance
- Repeat Contractor: Yes
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$144,000
- Substantial Contribution: \$0
- Multiple Employer Support (8%) \$9,840
- Total ETP Funding: \$153,840
- Total In-kind Contribution: \$196,128
 - *Trainee Wages Paid During Training:* \$196,128
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Location of Training: 0% Center Based; 100% Employer Site

INTRODUCTION:

This will be the fourth Agreement between the Insurance Educational Association (IEA) and the Employment Training Panel (ETP). IEA, headquartered in Santa Ana, California is a non-profit corporation that provides class/lab training through scheduled workshops and internet training in insurance, risk management, disability management, nurse case management, employee benefits, and health care topics. IEA's membership consists of insurance companies, insurance agencies, and brokerage firms.

IEA is eligible to contract with ETP under Unemployment Insurance Code 10205(c)(1) as a group of employers. Participating employers are primarily small and medium-sized insurance firms that face out-of-state competition as specified under Title 22, California Code of Regulations (CCR), Section 4416(a).

IEA proposes to provide 240 employees with business skills to enable primarily small and medium-sized insurance firms to remain viable in the California insurance industry.

MEETING ETP GOALS AND OBJECTIVES:

IEA proposes training that will further the following ETP goals and objectives:

- 1) Foster job retention in high-wage occupations in insurance service industries that are threatened by out-of-state competition.
- 2) Support companies moving to a high performance workplace.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Business Skills	240	24 - 200	-0-	\$641	*\$12.38 - \$42.23
Wages After 90-Day Retention						
<u>Occupation</u>						
Administrative Staff						
Claims Staff						
Marketing Staff						
Underwriting Staff						
Audit Staff						
Loss Control Staff						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
*Health Benefits ranging from \$.70 per hour - \$3.38 per hour may be added to some of the Job Number 1 trainee's wages to meet the ETP minimum hourly wage of \$13.51 per hour in Alameda, Contra Costa, Los Angeles, Marin, Orange, San Francisco, San Mateo, and Santa Clara counties; \$13.16 per hour in Sacramento County; \$12.89 per hour in San Diego County; \$13.12 per hour in Ventura County; and \$12.38 per hour for all other California counties.					20%	-0-
<u>Other Employee Benefits:</u> Varies by participating employer.						

COMMENTS / ISSUES:

➤ *Initial Proposal*

IEA initially submitted a funding proposal for \$256,800. After reviewing the proposal, ETP staff determined that the training plan included Workers Compensation training that staff considered adversarial in nature. IEA agreed to remove the curriculum topics in question. The revision to the training plan resulted in a reduction to the training plan and a decrease to the proposed Agreement amount to \$153,840.

➤ *Continuing Education*

In California, the Department of Insurance (DOI) requires insurance agents/brokers to be licensed, and to complete minimum hours of approved Continuing Education as a condition of license renewal. It has been the Panel's past practice to not fund Continuing Education courses that are necessary to maintain a license.

Some trainees in the "marketing staff" occupation listed in the training plan for this proposal require licensure as insurance agents/brokers. For those trainees, many courses identified in the Menu Curriculum may be approved by DOI as Continuing Education. Staff will be researching this issue in more depth for a future presentation before the Panel. In the meantime, IEA should represent that it will not seek ETP reimbursement for Continuing Education to licensed agents/brokers.

➤ *Frontline Workers*

All of the trainees in this project meet the Panel definition of frontline worker under Title 22, CCR, Section 4400(ee).

➤ *Compensatory Nature of Training*

All trainees will be provided ETP-funded training during normal working hours. Training will be comprised of 100 percent ETP trainees.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ *Maximum Contractor Charge:*

A fee of \$150 per trainee for specialized training materials to be paid by the participating employers.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal to provide training to selected insurance occupations, to foster job retention and moving to a high performance workplace. In making this recommendation, staff believes the ETP Agreement should be modified to include an IEA representation that it will not seek reimbursement for the cost of training licensed agents/brokers.

NARRATIVE:

IEA provides customized training to participating employers, primarily insurance companies, to increase the skill sets of employees to more efficiently perform their job assignments. Technology has eliminated the need for employees to perform lower level processing and technical functions; however, they now require the skills to perform higher level cognitive job functions and run the necessary software.

Automation has transformed the way participating employers conduct their businesses and compete in the California insurance industry. Underwriting, rating and claims processing used to require entire departments to input and score individual applications; now insurance applications are processed electronically using sophisticated software.

In addition, sales and service teams are changing, where both functions are performing together. Professional sales and service training will assist in breaking down traditional stand-alone service and sales functions. Marketing personnel will be targeted for this training. All training is for back office functions, service center, or other multi-state service activities of insurance companies and brokerages located in California. Training will help make the California facilities more productive and more likely to remain in the state with expanded employment.

The business skills training proposed under this Agreement will retrain insurance claims, administrative, marketing, underwriting, audit, and loss control staff. The proposed training will help key employees learn the underlying principles of the insurance business to make complex decisions on their own. In the claims area, trainees will be expected to be experienced in the technical claims processing procedures of their organizations. ETP-funded training will enable trainees to make independent judgments regarding reserve requirements for individual claims; deciding how much money should be set aside for medical and other costs based upon the type of claim; the specific facts of the claim, and the likelihood of recovery from other insurers.

Company representatives have developed a Menu Curriculum of 24 – 200 hours that will be customized for individual participating employer. The proposed trainees will be provided an average of 40 hours of class/lab training by over 300 part-time instructors from the insurance industry who are hired on an independent contractor basis. The majority of training will take place at the employer's facility with some classes being held at local hotels and conference centers. Training will take place statewide.

NARRATIVE: (continued)

Employer Demand

Marketing to participating employers will be through mailings, personal contacts, and industry wide notices. Participating employers and industry members of IEA report a demand for two types of training:

1) Technical insurance training that prepares employees for professional certificates and designations such as: Chartered Property and Casualty Underwriter, General Insurance Program, Certified Professional in Disability Management, Workers Compensation Claims Administration, Workers Compensation Claims Professional, and Certified Case Management Professional. These certificates and designations are maintained by the insurance industry and are recognized throughout the industry;

2) Service oriented selling training for sales, service, and marketing staff will enable employees to improve productivity and profitability.

Employers participate in curriculum development on two levels: through IEA membership and participation on IEA advisory committees of industry professionals who assist in developing new curriculums to ensure that IEA training programs are kept up to date. An employer assessment is conducted and a specific curriculum is developed for each training module provided to a trainee. These assessments are used to refine and revise the menu curriculum offered at subsequent training sessions for other participating employers. Trainees and employers also complete assessments of training effectiveness to improve future IEA training.

Supplemental Nature of Training

IEA representatives state that ETP funding will not displace participating employers' resources for training. Training provided under this proposal will be in addition to normal training. Ongoing company funded training includes new hire training in handling policies and claims.

ETP-funded training will enable trainees to learn the required skill sets to perform their jobs more effectively and efficiently. In addition, participating employers' commitment to training will be shown by the training of key personnel in business skills to enable these firms to remain viable in the California insurance industry.

SUBCONTRACTORS:

None.

THIRD PARTY SERVICES:

None.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET02-0316	Statewide	6/30/02-6/29/04	\$263,402	\$135,474	\$870,000	\$243,272
ET04-0494	Statewide	12/15/03-2/14/05	\$333,600	\$212,604	\$870,000	\$380,466

ACTIVE PROJECTS:

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET06-0120	\$333,600	8/15/05-8/14/07	600	579	455	*349

* As of May 30, 2007, 349 trainees have been retained with earnings of \$176,068, with 113 active trainees. IEA has recorded 17,489 training hours on the ETP on-line class lab tracking system, therefore could potentially earn \$227,357 (68 percent) of the Agreement amount, if all Agreement terms and conditions are met.

INSURANCE EDUCATIONAL ASSOCIATION

MENU CURRICULUM

Hours
Class Lab

24 - 200

Trainees may be provided any of the following:

BUSINESS SKILLS

Organizational Development. Organizational culture, how a leader within the organization must drive the risk management process.

Insurance Operations, Regulation and Statutory Accounting. Insurance operations, regulation of insurance, marketing, underwriting, ratemaking, claim adjusting.

Finance for Risk Management and Insurance Professionals. Covers corporate finance, financial statements, sources of financial and non-financial information, financial statement analysis, time value of money, discounted cash flows.

Survey of Personal Risk Management, Insurance and Financial Planning. Includes auto insurance and society, auto policy, homeowners policy, other residential insurance, loss exposures.

Personal Risk Management and Property Liability Insurance. Includes personal risk management, endorsements and variations, personal auto and recreational vehicles, underwriting profitability, pricing.

Personal Financial Planning. Includes life insurance, social security, health, disability, long term care, basic investment principles.

Delivering Insurance Services. Includes continuing improvement, customer identification, customers and quality, customer orientation, process management, leadership and teamwork.

INSURANCE EDUCATIONAL ASSOCIATION

MENU CURRICULUM (continued)

BUSINESS SKILLS (continued)

Associate Customer Service. Meeting or exceeding customer expectations. Manage customer relationships, internal and external customers, what do customers expect.

Property Loss Adjusting. Topics include causes of loss, loss adjusting, fraud, preparing estimates, merchandise/time loss, auto physical damage and contractors equipment.

Risk Financing. Includes insurance as a risk financing technique, insurance plan design, forecasting, self-insurance plans, reinsurance, captive insurance plans.

Property and Liability Insurance principles. Who provides insurance, measuring the financial performance of insurers, marketing, underwriting, claims and insurance contracts.

Personal Insurance. Automobile insurance and society, personal auto policy. Residential insurance and other personal property and liability coverage's

Commercial Insurance. Commercial property insurance, business income, commercial crime and equipment breakdown, inland and ocean marine, commercial general liability.

Essentials of Disability Management. Identify the components of a disability management program; defines medical and administrative case management; describes the monitoring and evaluation process.

Disability Management, Medical and Administrative Components. Studies the aging workforce, behavioral health and disease management. Concentrates on case management, grievance procedures and coordination with the case manager and network provider.

Disability Management Implementation. Thorough review of program designs, cost of disability study, partnering with providers, current statistics about absence, productivity and health management.

INSURANCE EDUCATIONAL ASSOCIATION

MENU CURRICULUM (continued)

BUSINESS SKILLS (continued)

Essentials of Risk Pool Financing. Understanding of Insurance contract ISO forms, management and communication, strategic planning, compliance, value of networks, benchmarking and pool structure.

Overview of Enterprise Risks. Understanding of business, capital, currency, reputational, political, international ethical/legal laws of business conduct and other non-accidental risks.

Financial Issues and Enterprise Risk Management. Financial risks associated with enterprise risk management analysis. Business interruption losses, foreign currency, financial statement risk, financial performance of insurance companies.

Foundations of Risk Management, Insurance and Professionalism. Topics include code of ethics, risk understanding risk management, risk control, risk financing, insurance policy analysis.

Financial Services Institutions. Includes financial markets, Federal Reserve Board, money markets, bond markets, stock markets, banks, finance companies, insurance companies and security firms.

Commercial Property Risk management and Insurance. Includes property loss exposures, building and personal property coverage, cause of loss forms, flood, earthquake and specialty forms

Commercial Liability Risk Management and Insurance. Includes liability loss exposures, liability risk control, general liability insurance, business auto garage, environmental loss exposures

Survey of Commercial risk Management and Insurance. Commercial Property, business income commercial crime, equipment breakdown, inland and ocean marine.

INSURANCE EDUCATIONAL ASSOCIATION

MENU CURRICULUM (continued)

BUSINESS SKILLS (continued)

Multiple Lines Insurance Production. Commercial general liability, commercial automobile, garage and motor carrier, commercial crime, business owners, commercial coverage's

Agency Operations and Sales management. Agency formation, management production plans, producer insurer relations, agency image, customer communications.

Liability Claim Practices. Liability investigation, evaluations of damages, atuo/home/commercial liability and coverage issues.

Risk Assessment. Risk management programs, risk management process, assessing property liability, personnel, net income loss exposures, forecasting and cash flow analysis.

Risk Control. Includes controlling property, personnel, liability and net income loss exposures. Intellectual property loss exposures, criminal loss exposures, disaster recovery for property loss.

Commercial Underwriting. Principles and Property. Includes fundamentals of underwriting, financial analysis, underwriting direct exposures, construction, indirect loss underwriting.

Commercial Underwriting. Liability and Advanced Techniques. Includes legal foundations, general liability, commercial auto, workers compensation, reinsurance, ratemaking, designing policies.

Return to Work and Vocational Rehabilitation. Covers return to work, vocational rehabilitation, completing notices and forms, meeting California standards.

Participating Employers in Retrainee Multiple Employer Contract

Contractor's Name: Insurance Educational Association

CCG No.: ET08-0119

Reference No: 07-0409

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PRINT OR TYPE

Company: Bickmore Risk Services

Address: 1831 K Street

City, State, Zip: Sacramento, CA 95814

Contact Person/Title: Michael Groff, Litigation Manager

Telephone No.: (916) 244-1148

Collective Bargaining Agreement(s): N/A

Estimated #of employees to be retrained under this Agreement: 30

Total # of full-time company employees worldwide: 98

Total # of full-time company employees in California: 98

Company: Cambridge Integrated Services Group, Inc.

Address: 5751 Copley Drive, Suite A

City, State, Zip: San Diego, CA 92171

Contact Person/Title: Colleen Engelbrecht, Technical Claims Manager

Telephone No.: (858) 514-1838

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained under this Agreement: 40

Total # of full-time company employees worldwide: 1,713

Total # of full-time company employees in California: 407

Company: Oak River Insurance Company

Address: 50 California Street, 24th Floor

City, State, Zip: San Francisco, CA 94111

Contact Person/Title: David J. Chetcuti, Director

Telephone No.: (415) 734-4651

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained under this Agreement: 35

Total # of full-time company employees worldwide: 400

Total # of full-time company employees in California: 400

Participating Employers in Retrainee Multiple Employer Contract

Contractor's Name: Insurance Educational Association

CCG No.: ET08-0119

Reference No: 07-0409

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PRINT OR TYPE

Company: UnionBanc Insurance Services

Address: 680 Langsdorf Drive, Suite 100

City, State, Zip: Fullerton, CA 92831

Contact Person/Title: Kathryn E. Anderson, Facilities Manager

Telephone No.: (714) 578-7266

Collective Bargaining Agreement(s): N/A

Estimated #of employees to be retrained under this Agreement: 30

Total # of full-time company employees worldwide: 440

Total # of full-time company employees in California: 440

Company:

Address:

City, State, Zip:

Contact Person/Title:

Telephone No.:

Collective Bargaining Agreement(s):

Estimated # of employees to be retrained under this Agreement:

Total # of full-time company employees worldwide:

Total # of full-time company employees in California:

Company:

Address:

City, State, Zip:

Contact Person/Title

Telephone No.:

Collective Bargaining Agreement(s):

Estimated # of employees to be retrained under this Agreement

Total # of full-time company employees worldwide:

Total # of full-time company employees in California: